

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BUCHAREST IMMEDIATE

C O N F I D E N T I A L STATE 003943

E.O. 11652: GDS

TAGS: EEWT, RO

SUBJECT: TRADE AGREEMENT NEGOTIATIONS

REFS: A) BUCHAREST 5818

B) BUCHAREST 5857

C) BUCHAREST 5897

1. SUMMARY. THIS MESSAGE TRANSMITS RESPONSES TO ROMANIAN COMMENTS ON OUR DRAFT TRADE AGREEMENT. IT ALSO AUTHORIZES AMBASSADOR BARNES DURING NEGOTIATIONS TO CONVEY OUR EXPECTATION TRADE AGREEMENT WILL PAVE WAY FOR DESIGNATION OF ROMANIA AS GSP BENEFICIARY, CONVEYS INFORMATION CONCERNING CONGRESSIONAL CONSULTATIONS AND SETS OUT OUR TENTATIVE PLANNING REGARDING CERTAIN PRO-CONFIDENTIAL

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CEDURAL ASPECTS OF NEGOTIATIONS.

2. EMBASSY SHOULD CONVEY FOLLOWING TO GOR IN RESPONSE
ROMANIAN COMMENTS CONVEYED REFTELS:

RE PREAMBLE:

A. REFERENCE TO GUIDING PRINCIPLES OF GOR'S FOREIGN POLICY WOULD BE MORE APPROPRIATE IN DOCUMENTS SIGNED BY HEADS OF STATE, OR IN AN AGREEMENT OF MORE GENERAL NATURE COVERING ENTIRE BREADTH OF US-ROMANIAN ECONOMIC RELATIONS. WE WOULD BE PREPARED CONSIDER INCLUSION OF PRINCIPLES IN ECONOMIC, INDUSTRIAL, AND TECHNOLOGICAL COOPERATION AGREEMENT, AND ENDORSE EMBASSY'S SUGGESTION THAT IN THE INTERIM A WAY OF MEETING ROMANIAN CONCERN WOULD BE INCLUDE REFERENCE TO JOINT STATEMENT OF DECEMBER, 1973, AS FORMULATED IN PREAMBLE OF ROMANIAN DRAFT.

B. LISTING OF INTERNATIONAL ECONOMIC ORGANIZATIONS (UNCTAD GATT, IMF, IBRD) TO WHICH TWO COUNTRIES BELONG MIGHT BE MORE APPROPRIATE TO ECONOMIC, INDUSTRIAL, AND TECHNOLOGICAL COOPERATION AGREEMENT, PARTICULARLY SINCE IMF AND IBRD DO NOT DEAL PRIMARILY WITH TRADE. MOREOVER, GATT REFERENCE IS PROMINENT IN OUR ARTICLE I, PARA 1. REFERENCE TO UNCTAD WOULD NOT DISTINGUISH ROMANIA FROM OTHER COUNTRIES ELIGIBLE UNDER TITLE IV AND WOULD NOT BE USEFUL WITH CONGRESS. HOWEVER, WE ARE PREPARED TO GIVE FURTHER CONSIDERATION TO THIS POINT IF ROMANIANS INSIST.

C. WE ARE PREPARED TO INCLUDE WORDING THAT WOULD EXPLICITLY RECOGNIZE DIFFERING LEVELS OF DEVELOPMENT OF TWO COUNTRIES, AS DESIRED BY GOR, IN ARTICLE I (SEE BELOW.).

D. OF COURSE REFERENCE TO LONG-STANDING FRIENDSHIP BETWEEN TWO QUOTE PEOPLES UNQUOTE NOT INTENDED AS HINT OF DIFFERENCES BETWEEN TWO GOVERNMENTS. WE PREPARED TO CONSIDER ALTERNATIVE FORMULATION OR TO DROP REFERENCE.

RE ARTICLE I:

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A. REFERENCE TO IMPORT COMMITMENT IN ROMANIAN GATT ACCESSION PROTOCOL IS NOT INTENDED TO IMPLY ROMANIAN OBLIGATION TO INCREASE IMPORTS FROM US AT THE SAME RATE OR AT HIGHER RATE THAN INCREASES FROM GATT COUNTRIES AS WHOLE. NOR SHOULD IT BE CONSIDERED LINKED WITH PROJECTION THAT TRADE WILL AT LEAST TRIPLE, WHICH IS IN ANOTHER ARTICLE OF OUR DRAFT, IS NON-BINDING IN NATURE, AND IS FORMULATED SO AS TO APPLY TO

TOTAL BILATERAL TRADE RATHER THAN JUST TO ROMANIAN IMPORTS OF US GOODS. RATHER, PURPOSE OF REFERENCE TO ROMANIA'S GATT IMPORT COMMITMENT IS TO CITE ROMANIAN OBLIGATION WHICH, BY ENSURING THAT MARKET ECONOMIES ARE NOT UNDULY VULNERABLE TO SHIFTS IN ROMANIAN IMPORT POLICIES, PROVIDES MEASURE OF RECIPROCITY OFFSETTING US COMMITMENT IN PREVIOUS SENTENCE TO PROVIDE MFN TARIFF TREATMENT, WHICH BY ITSELF WOULD BE UNBALANCED TO DISADVANTAGE OF US. (GOR'S CONTENTION THAT ITS TARIFF, IN ITS EFFECTS ON TRADE, EQUIVALENT TO TARIFFS OF WESTERN COUNTRIES DID NOT GAIN ACCEPTANCE AT RECENT GATT MEETING ON ROMANIAN

TARIFF.)

B. REFERENCE TO QUOTE SATISFACTORY BALANCE OF CONCESSIONS IN TRADE (NOT TRADES) AND SERVICES UNQUOTE IS INTENDED TO PROVIDE SPECIFIC COMMITMENT TO COMPLY WITH WHAT UNDER SECTION 405(B)(1) OF TRADE ACT, WILL BE IMPORTANT CRITERION FOR DETERMINING WHETHER USG WILL BE IN POSITION TO RENEW AGREEMENT. WORDING IS NOT INTENDED TO MILITATE IN ANY WAY AGAINST POSSIBILITY THAT ROMANIA MAY BE DESIGNATED GSP BENEFICIARY, WHICH COULD TAKE PLACE ONLY AFTER AGREEMENT BECOMES EFFECTIVE AND WOULD BE AN ACTION OUTSIDE SCOPE OF AGREEMENT'S PROVISIONS. HOWEVER, IN ORDER TO TAKE INTO ACCOUNT POSSIBILITY THAT ROMANIA MAY BE DESIGNATED GSP BENEFICIARY AND MAY BENEFIT FROM US CONCESSIONS TO DEVELOPING COUNTRIES ENTERED INTO IN MTN, PARA 2 COULD BE PREFACED QUOTE TAKING INTO ACCOUNT THE DIFFERING LEVELS OF DEVELOPMENT OF THE TWO COUNTRIES, UNQUOTE, AND THE WORDS QUOTE IN FULL UNQUOTE COULD BE DROPPED. IN CONNECTION WITH THE MTN, ROMANIANS SHOULD BE AWARE THAT THE BENEFITS AND OBLIGATIONS OF CERTAIN AGREEMENTS MAY BE LIMITED TO THE SIGNATORIES (ALTHOUGH DEVELOPING COUNTRIES MAY UNDER-

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TAKE LESSER OBLIGATIONS THAN DEVELOPED COUNTRIES) AND THAT EXTENSION OF BENEFITS UNDER ANY SUCH AGREEMENTS MAY BE CONDITIONED ON ROMANIAN PARTICIPATION IN THE AGREEMENTS.

RE ARTICLE II:

A. TRADE PROJECTION SUCH AS THAT CONTAINED IN OUR ARTICLE II PARA 1 SEEMS TO US USEFUL FOR FOLLOWING REASONS: WITHOUT BINDING EITHER PARTY OR OTHERWISE BEING AT VARIANCE WITH GATT OBLIGATIONS, IT SETS FORTH ENDORSEMENT BY BOTH GOVERNMENTS OF INCREASE IN TRADE OF MAGNITUDE CONSISTENT WITH LEVEL OF 1 BILLION DOLS ANNUALLY BY 1980 (ASSUMING GREATER GROWTH IN INITIAL PERIOD FOLLOWING GRANTING OF MFN), PROJECTION PROPOSED BY

ROMANIANS AND ACCEPTED BY US SIDE AT JOINT COMMISSION MEETING LAST APRIL. FOR PURPOSES OF TRADE AGREEMENT, IT IS MORE APPROPRIATE TO FOCUS PROJECTION ON PERIOD OF AGREEMENT THAN TO REITERATE 1980 PROJECTION. WE THINK SUCH PROJECTION COULD BE USEFUL WITH CONGRESS. WE DO NOT UNDERSTAND ROMANIAN CONCERN THAT OUR PROPOSED PROJECTION WOULD APPEAR THREAT TO EC COUNTRIES WHEREAS 1980 PROJECTION WOULD NOT. (IN OUR JUDGMENT, IF EC COUNTRIES DID TAKE NOTICE THIS COULD BE USEFUL TO ROMANIA'S TRADE NEGOTIATIONS WITH THEM.) ADMITTEDLY LAST SENTENCE IN ARTICLE II PARA 1 IS ONE-SIDED, IN EFFORT TO PROVIDE MEASURE OF EQUIVALENCE FOR US MFN TARIFF TREATMENT.

RE ARTICLE IV:

WE ARE STUDYING ROMANIAN COMMENTS (BUCHAREST 5857) AND MAY TRANSMIT OUR REACTIONS TO THEM PRIOR TO OPENING OF NEGOTIATIONS.

RE ARTICLE VI:

WHAT WE ARE SEEKING IN PARA 1 IS ASSURANCE THAT US FIRMS DOING BUSINESS WITH ROMANIA WILL NOT BE DISCRIMINATED AGAINST IN FINANCIAL MATTERS. SUCH ASSURANCES WOULD HELP IN DEVELOPMENT OF COMMERCIAL RELATIONS. WE RECOGNIZE THAT APPLICATION OF NATIONAL TREATMENT STANDARD IN FIN-CONFIDENTIAL

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ANCIAL RELATIONS IS COMPLICATED MATTER, PARTICULARLY IN VIEW OF FINANCIAL RESTRICTIONS PLACED ON ROMANIAN ECONOMIC ENTITIES, AND WILL REQUIRE CAREFUL CONSIDERATION DURING NEGOTIATIONS.

RE BORDER TRADE AND FREE-TRADE AGREEMENTS:

WE HAVE NO PREFERENTIAL TRADE RELATIONSHIP WITH MEXICO. US-CANADIAN AUTOMOTIVE PRODUCTS AGREEMENT COVERED UNDER GATT WAIVER. ON ASSUMPTION ROMANIA'S ARRANGEMENTS WITH YUGOSLAVIA ALSO COVERED UNDER GATT INsofar AS THEY RELATE TO TRADE, OUR ARTICLE I WOULD COVER OUR COUNTRIES' BORDER TRADE ARRANGEMENTS. FREE-TRADE AREA EXCEPTIONS UNDER GATT WOULD ALSO BE COVERED UNDER ARTICLE I, BUT WE COULD NOT AGREE TO LANGUAGE SUCH AS THAT IN ARTICLE II OF ROMANIA'S DRAFT THAT WOULD APPLY SPECIFICALLY TO THEM. WE CONSIDER ARRANGEMENTS SUCH AS FINNISH FREE-TRADE AGREEMENTS WITH CERTAIN EE'S INCONSISTENT WITH SPIRIT OF GATT ARTICLE XXIV, AND HAVE SERIOUS DOUBTS CONCERNING MEANINGFULNESS OF FREE-TRADE AGREEMENTS WITH CENTRALLY PLANNED ECONOMIES.

3. NOW THAT WE HAVE AUTHORITY THAT WOULD PERMIT DESIGNATION OF ROMANIA AS GSP BENEFICIARY, ROMANIANS CAN BE EXPECTED TO PRESS HARD IN TRADE AGREEMENT NEGOTIATIONS FOR USG COMMITMENT TO DO SO. AMBASSADOR IS AUTHORIZED AT TACTICALLY SUITABLE POINT IN NEGOTIATIONS TO STATE THAT WE EXPECT ROMANIA WILL BE DESIGNATED AFTER TRADE AGREEMENT HAS BEEN APPROVED BY CONGRESS, AND PROVIDED NO NEW CONSIDERATIONS ARISE THAT WOULD MAKE SUCH ACTION INADVISABLE. AMBASSADOR MAY, FOR NEGOTIATION PURPOSES, DRAW ON FACT THAT AGREEMENT WILL PAVE WAY FOR GSP ADVANTAGES FOR ROMANIA WHICH WILL BE IN ADDITION TO BENEFITS DIRECTLY DERIVED FROM TRADE AGREEMENT.

4. FYI. WE ARE CONSULTING WITH WAYS AND MEANS AND

SENATE FINANCE AND FOREIGN AFFAIRS COMMITTEES. WE MAY ALSO UNDERTAKE FURTHER CONGRESSIONAL CONSULTATIONS ONCE AGREEMENT INITIALED AND BEFORE IT SIGNED. END FYI. CONFIDENTIAL

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5. WE WOULD HOPE WITHIN A WEEK OR SO NEGOTIATORS COULD REACH AGREEMENT WITH ROMANIANS ON TEXT, EXCEPT PERHAPS FOR A FEW KEY ISSUES. WE ANTICIPATE WASHINGTON MEMBERS OF US DELEGATION WOULD RETURN ONCE WE HAVE SUCH BRACKETED TEXT.

6. WE TENTATIVELY PLAN THAT AMBASSADOR WOULD INITIAL AGREED TEXT, AND WOULD SIGN FOR US ONCE FURTHER CONGRESSIONAL CONSULTATIONS COMPLETED. ANY FORMAL CEREMONY WOULD TAKE PLACE WHEN AGREEMENT ENTERS INTO FORCE, I.E. AFTER CONGRESS APPROVES.

7. BUCHAREST 0054 JUST RECEIVED. WE MAY TRANSMIT ADDITIONAL COMMENTS RELATING TO POINTS RAISED. KISSINGER

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